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March 20, 2007

FLORENCE P. BELSER
GENERAL COUNSEL

VIA E-FILING AND HAND DELIVERY

shudson@regstaff.sc.gov

Charles L.A. Terreni, Esquire
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Annual Review of Base Rates for Fuel Costs for South Carolina Electric and Gas Company
Docket No. 2007-2-E

Dear Mr. Terreni:

Enclosed please find the original and one copy of the Settlement Agreement in the above referenced docket.

Please note that the attached documents are exact duplicates, with the exception of the form of the signature, of the e-filed copy submitted to the Commission in accordance with its electronic filing instructions.

By copy of this letter we are also serving all other parties of record. Please let me know if you have any questions.

Sincerely,

Shannon Bowyer Hudson

Shannon Bowyer Hudson
Jeffrey M. Nelson

SBH/pjm
Enclosure

cc: Scott Elliott, Esquire
Catherine D. Taylor, Esquire
K. Chad Burgess, Esquire
Belton T. Zeigler, Esquire
John P. Boyd, Esquire
Mitchell M. Willoughby, Esquire

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-2-E

March 20, 2007

IN RE:)	
)	
South Carolina Electric & Gas Company -)	SETTLEMENT AGREEMENT
Annual Review of Base Rates for)	
Fuel Costs)	
)	
_____)	

This Settlement Agreement is made by and among the South Carolina Office of Regulatory Staff (“ORS”), South Carolina Energy Users Committee (“SCEUC”) and South Carolina Electric & Gas Company (“SCE&G”) (collectively referred to as the “Parties” or sometimes individually as a “Party”).

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (“Commission”) pursuant to the procedure established in S.C. Code Ann. §58-27-865, and the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement would be in their best interest;

WHEREAS, following these discussions the Parties have each determined that their interest and the public interest would be best served by settling this matter in the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the direct testimony and exhibits of the following witnesses without objection, change, amendment or cross-examination with the exception that the parties agree that 1) page 5, line 13 of the direct testimony of Joseph M. Lynch, \$9.20 should be amended to read \$8.44, and 2) page 2 of 2 of Exhibit MAJ-1 to the testimony of M. Anthony James, should be replaced with revised Exhibit MAJ-1, page 2 of 2 which is attached as Exhibit A.

A. SCE&G witnesses:

- (1) Thomas D. Gatlin
- (2) Joseph K. Todd
- (3) Gerhard Haimberger
- (4) Joseph M. Lynch
- (5) John R. Hendrix

B. ORS witnesses:

- (1) M. Anthony James
- (2) Jacqueline R. Cherry

2. As a compromise, all Parties adopt, accept, and acknowledge as the agreement of the Parties that:

- A. SCE&G's under recovered fuel cost balance for the period February 1, 2006 through April 30, 2007 is projected to be the amount of \$38,554,712. This under recovery consists of historical under recovered costs for the period February 1, 2006 through January 31, 2007, offset by the estimated over recovered costs for the period February 1, 2007 through April 30, 2007.
- B. The appropriate fuel factor for SCE&G to charge for the period beginning with the first billing cycle in May 2007 extending through the last billing cycle of April 2008 is 2.632 cents per

kwh, which includes 0.172 cents per kwh to recover the under recovered fuel costs described in paragraph 2(A).

- C. The Parties agree that any and all challenges to SCE&G's historical fuel cost recovery for the period ending January 31, 2007 are not subject to further review; however, projected fuel costs for periods beginning on February 1, 2007 and thereafter shall be open issues and will be determined in future proceedings held under S.C. Code Ann. § 58-27-865.
- D. The Parties agree to accept all accounting adjustments as put forth in ORS witness Jacqueline R. Cherry's testimony.
- E. The Parties agree that in establishing the fuel cost recovery factors contained herein, the terms of Paragraph 2(C) of Exhibit 1 to Order No. 2006-235(A) (i.e., the 2006 Settlement Agreement) have been applied to calculate carrying costs on the balance of under recovery for the period May 1, 2007 to April 30, 2008 as provided for in the 2006 Settlement Agreement. The terms of the 2006 Settlement Agreement that are applicable to the calculation of carrying costs on the balance of under recovery for the period May 1, 2007 to April 30, 2008 shall apply under this Settlement Agreement.
- F. SCE&G agrees to provide to ORS and SCEUC the following:
 - (1) Copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and,
 - (2) Quarterly forecasts beginning with the quarter ending June 30, 2007 of the expected fuel factor to be set at SCE&G's next annual fuel proceeding and SCE&G's historical over/under recovery to date. SCE&G agrees it will put forth its best efforts to forecast the expected fuel factor to be set at its next annual proceeding, however, all Parties agree that these quarterly forecasts will not be admitted into evidence in any future SCE&G proceedings.

3. The Parties agree this Settlement Agreement is reasonable, in the public interest and in accordance with law and regulatory policy.

4. Further, ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code §58-4-10(B) (added by Act 175). S.C. Code §58-4-10(B)(1) through (3) reads in part as follows:

“...‘public interest’ means a balancing of the following:

- (1) Concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) Economic development and job attraction and retention in South Carolina; and
- (3) Preservation of the financial integrity of the State’s public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.”

5. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution in the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

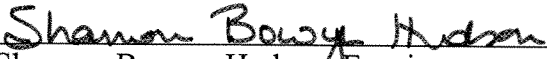
6. This written Settlement Agreement contains the complete agreement of the Parties. There are no other terms and conditions to which the Parties have agreed. This Settlement Agreement integrates all discussions among the Parties into the terms of this written document. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions held in future proceedings, nor will the Settlement Agreement, or any of the matters agreed to in it be used as evidence or precedent in any future proceeding. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

7. This Settlement Agreement shall be interpreted according to South Carolina law. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing

its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

WE AGREE:

Representing and binding the South Carolina Office of Regulatory Staff

A handwritten signature in dark ink, reading "Shannon Bowyer Hudson", is written over a horizontal line.

Shannon Bowyer Hudson, Esquire

Jeffrey M. Nelson, Esquire

South Carolina Office of Regulatory Staff

1441 Main Street, Suite 300

Columbia, SC 29201

Phone: (803) 737-0889

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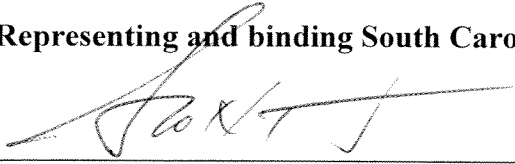
Fax: (803) 737-0895

Email: shudson@regstaff.sc.gov

jnelson@regstaff.sc.gov

WE AGREE:

Representing and binding South Carolina Energy Users Committee

A handwritten signature in black ink, appearing to read "Scott Elliott", is written over a horizontal line.

Scott Elliott, Esquire

Elliott & Elliott, P.A.

721 Olive Street

Columbia, SC 29205

Phone: (803) 771-0555

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Email: selliott@elliottlaw.us

WE AGREE:

Representing and binding South Carolina Electric & Gas Company



Catherine D. Taylor, Esquire

K. Chad Burgess, Esquire

South Carolina Electric & Gas Company

1426 Main Street, 13th floor

Columbia, SC 29201

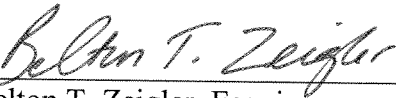
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Signed by KCB
As Authorized by BTZ

Belton T. Zeigler, Esquire

John P. Boyd, Esquire

Haynsworth Sinkler Boyd, P.A.

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Columbia, SC 29211-1889

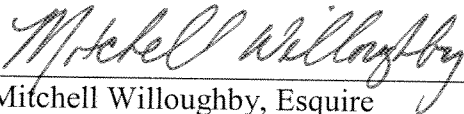
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Signed by KCB
As Authorized by MW

Mitchell Willoughby, Esquire

Willoughby & Hoefer, P.A.

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**Office of Regulatory Staff
Power Plant Performance Data Report
Capacity Factors (Percentage) for
South Carolina Electric & Gas Company**

PLANT	UNIT	MW RATING	HISTORICAL DATA				REVIEW PERIOD (ACTUAL) DATA											
			YEAR 2003	YEAR 2004	YEAR 2005	YEAR 2006	FEB 2006	MAR 2006	APR 2006	MAY 2006	JUN 2006	JUL 2006	AUG 2006	SEP 2006	OCT 2006	NOV 2006	DEC 2006	JAN 2007
CANADYS	1	105	80.7	82.9	81.9	69.0	70.6	78.2	61.5	28.3	85.2	89.6	82.3	60.4	91.8	82.6	86.0	33.4
CANADYS	2	116	79.7	79.7	69.2	69.9	62.0	80.7	21.3	70.8	82.5	83.8	79.6	82.2	38.1	87.2	80.2	75.7
CANADYS	3	185	51.1	75.9	48.5	71.8	70.5	87.0	62.0	78.5	75.1	71.6	74.2	81.0	82.3	45.7	85.3	78.7
McMEEKIN	1	125	68.9	73.2	80.3	76.5	92.0	64.0	90.9	78.3	78.9	87.9	92.5	82.7	12.9	67.4	89.9	90.8
McMEEKIN	2	125	69.1	65.9	83.3	73.0	91.3	87.5	67.4	74.2	82.7	87.6	92.8	83.3	74.6	13.0	69.9	87.1
URQUHART	3	94	74.7	76.4	73.2	80.7	83.4	86.1	63.7	55.2	88.9	91.2	94.4	88.2	89.6	65.9	79.2	93.0
WATEREE	1	350	69.7	84.2	83.8	79.3	77.6	94.1	64.1	73.7	91.7	74.5	80.5	46.8	92.9	90.6	88.7	82.1
WATEREE	2	350	69.8	81.2	85.5	60.5	88.8	87.3	66.1	90.1	92.7	94.4	92.1	44.8	0.0	0.0	0.2	24.5
WILLIAMS		615	67.7	66.6	89.1	83.4	80.3	36.9	94.9	95.7	91.3	92.1	95.7	90.7	70.4	97.5	62.1	0.0
COPE		420	78.5	92.7	83.3	93.1	98.1	99.1	42.9	89.1	98.1	98.7	98.1	98.7	99.6	95.7	100.0	93.3
FOSSIL TOTALS		2485	70.9	78.8	81.9	78.2	83.4	75.8	67.7	81.9	89.7	88.6	90.2	76.1	66.9	70.6	69.5	54.1
URQUHART CC	5	165	n/a	n/a	10.5	18.0	8.0	5.6	17.9	11.1	21.1	39.3	55.3	14.2	17.0	14.3	7.9	34.0
URQUHART CC	1	66	n/a	n/a	10.8	20.4	8.4	5.9	19.6	12.4	23.2	43.9	64.0	15.6	19.7	15.8	8.7	37.5
URQUHART CC	6	173	n/a	n/a	6.9	15.5	6.2	8.4	10.4	12.7	18.5	52.0	42.2	5.7	9.3	14.4	4.5	28.7
URQUHART CC	2	68	n/a	n/a	8.2	17.6	7.0	9.7	11.5	14.4	20.8	60.1	46.6	6.5	11.1	16.6	4.9	31.8
JASPER CC	1	165	n/a	n/a	21.4	25.2	5.1	0.0	0.3	4.9	33.2	41.7	62.0	24.5	48.9	54.3	26.2	57.5
JASPER CC	2	165	n/a	n/a	24.7	27.1	8.5	0.0	2.3	4.2	42.3	54.0	49.5	31.0	58.2	49.2	20.4	39.1
JASPER CC	3	165	n/a	n/a	26.2	25.2	8.5	0.0	7.3	2.4	38.1	54.0	47.3	28.4	39.6	59.5	15.5	52.9
JASPER CC	4	385	n/a	n/a	18.4	19.6	4.1	0.0	0.0	2.3	28.9	41.0	44.8	19.4	36.9	41.0	15.0	34.5
TOTAL CC CAP.		1352	n/a	n/a	17.2	21.1	6.4	2.5	6.2	6.4	29.2	46.6	49.7	19.3	33.2	36.8	14.0	39.3
V.C. SUMMER (SCE&G) (SCPSA)*		966 644 322	86.9	96.5	87.7	88.3	101.5	101.7	101.6	98.2	98.3	99.0	99.3	99.7	40.3	17.3	100.9	101.1

Note 1: The lifetime capacity factor for V.C.Summer through December 2006 is 81.2%

Note 2: SCPSA represents the South Carolina Public Service Authority's 1/3 ownership of VC Summer.

Note 3: CC designates Combined-Cycle units

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-2-E

IN RE:

Annual Review of Base Rates for)	CERTIFICATE OF SERVICE
Fuel Costs For South Carolina Electric)	
And Gas Company)	

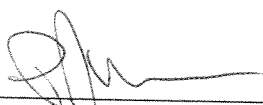
This is to certify that I, Pamela J. McMullan, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Belton T. Zeigler, Esquire
John P. Boyd, Esquire
Haynsworth Sinkler Boyd, P.A.
Post Office Box 11889
Columbia, SC, 29211

Catherine D. Taylor, Esquire
K. Chad Burgess, Esquire
South Carolina Electric and Gas Company
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Scott Elliott, Esquire
Elliott & Elliott, P.A.
721 Olive Street
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Mitchell M. Willoughby, Esquire
Willoughby & Hoefer, P.A.
Post Office Box 8416
Columbia, SC 29202



Pamela J. McMullan

March 20, 2007
Columbia, South Carolina